



Mkhambathini Municipality

For the Community

Mkhambathini Municipality
Annual Financial Statements
for the year ended 30 June 2017

Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Delivering of services to the community
Mayoral committee	
Mayor	Cllr. E . Ngongo
Councillors	Cllr. L.Z. Lembethe (Deputy Mayor) Cllr. T.A. Gwala (Speaker) Cllr. K.R. Mofokeng Cllr. R.N. Lembethe Cllr. M.R. Ntuli Cllr. N. Zondo Cllr. R.B. Mkhize Cllr. K.E. Mkhize Cllr. M.R. Shandu Cllr. S. Ngidi Cllr. N.W. Ntombela Cllr. N.J Wensley Cllr. Z.F. Mbambo
Former Councillors (Term ended August 2016)	Cllr. T. E. Maphumulo (Mayor) Cllr. C.T. Mkhize (Deputy Mayor) Cllr. T.Z Maphumulo Cllr. H.S. Mthethwa Cllr. M.M. Lembethe Cllr. M.A. Ngongo (Speaker) Cllr. M.M.M. Magubane
Chief Finance Officer (CFO)	Mr. M. Chandulal 031 785 9320
Municipal Website	www.mkhambathini.gov.za
Business address	18 Old Main Road Camperdown 3720
Postal address	Private Bag X04 Camperdown 3720
Contact number	031 785 9300
Auditors	Auditor-General
Bank	Standard Bank 052 1499 78

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The reports and statements set out below comprise the Annual Financial Statements presented to the Provincial Legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, she is satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out on pages 4 to 47, which have been prepared on the going concern basis, were approved by the on 30 June 2017.

Accounting Officer
Mrs T.C Ndlala

Mkhambathini Municipality

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Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2017.

1. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

2.

The Accounting Officer's details during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mrs. T.C. Ndlala	South African	15 October 2015

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Statement of Financial Position as at 30 June 2017

Figures in Rand

	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Operating lease asset	6	88,400	72,875
Receivables from exchange transactions	7	1,205,242	190,116
VAT receivable	8	-	88,671
Consumer debtors	9	11,357,358	8,059,093
Cash and cash equivalents	10	52,815,823	37,260,379
		65,466,823	45,671,134
Non-Current Assets			
Investment property	3	5,251,600	5,251,600
Property, plant and equipment	4	113,477,946	106,760,009
Intangible assets	5	803,902	698,252
		119,533,448	112,709,861
Total Assets		185,000,271	158,380,995
Liabilities			
Current Liabilities			
Operating lease liability	6	-	4,153
Payables from exchange transactions	13	6,944,820	6,209,480
VAT Payable	38	633,397	4,268,061
Unspent conditional grants and receipts	11	5,435,395	3,170,598
Provisions	12	2,130,223	1,928,331
		15,143,835	15,580,623
Non-Current Liabilities			
Provisions	12	3,118,348	2,816,008
Total Liabilities		18,262,183	18,396,631
Net Assets		166,738,088	139,984,364
Accumulated surplus		166,738,088	139,984,364

* See Note 31

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Statement of Financial Performance

Figures in Rand

	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges		466,332	
Commissions received		15,565	
Other income	15	609,855	12,714
Interest received - investment	16	5,690,548	591,207
Total revenue from exchange transactions		6,782,300	4,552,356
Revenue from non-exchange transactions			
Property rates	17	11,961,448	11,281,258
Transfer revenue			
Government grants & subsidies	18	66,502,689	72,777,380
Fines, Penalties and Forfeits		37,520	92,650
Licenses and Permits		4,694,374	3,860,691
Total revenue from non-exchange transactions		83,196,031	88,011,979
Total revenue	14	89,978,331	92,564,335
Expenditure			
Employee Related Cost	19	(23,995,272)	(21,594,770)
Remuneration of councillors	20	(4,797,931)	(4,619,711)
Contributions to Long Service Awards	21	(423,492)	(621,493)
Depreciation and amortisation		(6,755,751)	(5,600,187)
Impairment loss/ Reversal of impairments		(512,262)	(719,376)
Debt Impairment	22	(2,168,761)	(1,374,015)
Repairs and maintenance	39	(2,985,953)	(860,218)
Grants and subsidies Expenditure		(3,353,574)	(3,531,255)
General Expenses	23	(18,231,611)	(19,475,412)
Total expenditure		(63,224,607)	(58,396,437)
Surplus for the year		26,753,724	34,167,898

* See Note 31

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	109,764,605	109,764,605
Prior year adjustments (Note 31)	3,948,139	3,948,139
Net income (losses) recognised directly in net assets	(3,948,139)	(3,948,139)
Surplus for the year	34,167,898	34,167,898
Total changes	30,219,759	30,219,759
Restated* Balance at 01 July 2016	139,984,364	139,984,364
Changes in net assets	-	-
Net income (losses) recognised directly in net assets	-	-
Surplus for the year	26,753,724	26,753,724
Total recognised income and expenses for the year	26,753,724	26,753,724
Total changes	26,753,724	26,753,724
Balance at 30 June 2017	166,738,088	166,738,088

* See Note 31

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Cash Flow Statement

Figures in Rand

	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Taxation		88,671	1,954,580
Sale of goods and services		17,173,028	17,164,443
Grants		68,767,485	72,159,339
Interest Received		3,004,349	1,875,411
		89,033,533	93,153,773
Payments			
Employee costs		(23,995,272)	(21,594,770)
Remuneration of Councillors		(4,797,931)	(4,619,711)
Cash Paid to Suppliers		(29,079,537)	(24,869,697)
		(57,872,740)	(51,084,178)
Net cash flows from operating activities	27	31,160,793	42,069,595
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(15,330,877)	(18,771,865)
Proceeds from sale of property, plant and equipment	4	-	36,991
Purchase of other intangible assets	5	(274,472)	(687,932)
Net cash flows from investing activities		(15,605,349)	(19,422,806)
Net increase/(decrease) in cash and cash equivalents		15,555,444	22,646,789
Cash and cash equivalents at the beginning of the year		37,260,379	14,613,590
Cash and cash equivalents at the end of the year	10	52,815,823	37,260,379

* See Note 31

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	500,000	-	500,000	466,332	(33,668)	
Other income	803,393	-	803,393	625,420	(177,973)	(c)
Interest Received - Investment	1,650,000	817,255	2,467,255	3,004,349	537,094	(d)
Interest received - Debtors	1,176,039	-	1,176,039	2,686,199	1,510,160	(d)
Total revenue from exchange transactions	4,129,432	817,255	4,946,687	6,782,300	1,835,613	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12,662,927	-	12,662,927	11,961,448	(701,479)	(e)
Transfer revenue						
Government grants & subsidies	80,151,000	1,585,679	81,736,679	66,502,689	(15,233,990)	(f)
Fines, Penalties and Forfeits	70,051	-	70,051	37,520	(32,531)	
Licenses and permits	3,922,956	468,227	4,391,183	4,694,374	303,191	(a)
Total revenue from non-exchange transactions	96,806,934	2,053,906	98,860,840	83,196,031	(15,664,809)	
Total revenue	100,936,366	2,871,161	103,807,527	89,978,331	(13,829,196)	
Expenditure						
Employee related cost	(27,055,615)	-	(27,055,615)	(23,995,272)	3,060,343	(g)
Remuneration of councillors	(5,088,000)	-	(5,088,000)	(4,797,931)	290,069	(h)
Contribution to Long Service Awards	(318,000)	-	(318,000)	(423,492)	(105,492)	(i)
Depreciation and amortisation	(4,800,000)	(1,200,000)	(6,000,000)	(7,268,013)	(1,268,013)	(j)
Debt Impairment	(700,000)	-	(700,000)	(2,168,761)	(1,468,761)	(k)
Repairs and Maintenance	(6,350,000)	-	(6,350,000)	(2,985,953)	3,364,047	(L)
Bank Charges	(184,286)	-	(184,286)	-	184,286	
Transfers recognised operational	(14,342,000)	-	(14,342,000)	(3,353,574)	10,988,426	(M)
General Expenses	(22,667,652)	(1,585,679)	(24,253,331)	(18,068,407)	6,184,924	(N)
Total expenditure	(81,505,553)	(2,785,679)	(84,291,232)	(63,061,403)	21,229,829	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating surplus before capital expenditure	-	-	-	-	-	-
Transfer recognised - Capital	15,626,000	(1,700,000)	13,926,000	12,485,803	(1,440,197)	o
Surplus or (Deficit) for the year after capital expenditure	15,626,000	(1,700,000)	13,926,000	12,485,803	(1,440,197)	
Surplus or (Deficit) for the year after capital expenditure	35,056,813	(1,614,518)	33,442,295	39,402,731	5,960,436	
Surplus or (Deficit) for the year after capital expenditure	35,056,813	(1,614,518)	33,442,295	39,402,731	5,960,436	

Explanations

- (a) License and permits – Variable depending on the number of license applications
- (b) Commissions received – Variable depending on the number of staff whose payment are made across to third parties
- (c) Other income – Mainly due leases and building plan fees
- (d) Interest received – Interest received on investments increased due to finds being invested for longer period due to more cash on hand. Interest on debtors is variable
- (e) Property rates – The amounts actually billed were lower than budgeted. This was due to the implementation of the supplementary roll.
- (f) Government grants and subsidies – This refers to rollover for MIG, Electrification and Library grants.
- (g) Employee related costs – Vacancies exists with the staff complement which includes section 57 employees
- (h) Remuneration of Councillors – This was slightly over budgeted for.
- (i) Contribution to medical aid and long service awards – This was under budgeted for as this is variable depending on the valuation done by the Actuary.
- (j) Depreciation – Increase due additions to property plant and equipment and impairment of assets during this period
- (k) impairment – Increase is due to the arrears in older debt and non - payment
- (l) Repairs and maintenance – Only crucial repairs and maintenance was carried out. The appointment of Technical Services Manager with prioritize repairs and maintenance
- (m) Grant and subsidy expenditure – Electrification was not fully spent, small amounts were unspent on MIG, Electrification and library grant.
- (n) General expenditure – Underspending is due to implementation of National Treasury's circular on cost containment .
- (o) Capital Expenditure - It is spent in accordance with Capital Budget.

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Estimates were used on the following elements: Property, plant and equipment, Post employment benefits, defined contribution plans, employee benefits, provisions and contingencies and intangible assets

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. The Subsequent measurement of investment properties is carried at cost (Cost Model) .

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Property - land	indefinite
Property - buildings	20 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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Accounting Policies

1.2 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

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Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Property ,Plant and Equipment is carried at cost less accumulated depreciation and impairment losses (Cost Model)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property ,plant and equipment are depreciated on the straight line basis over their useful lives to their estimates.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings		
• Animal pound and Parkhomes	Straight line	30
Plant and machinery		
• Brush cutters and Lawn Mowers	Straight line	3 - 15
• Tractors	Straight line	10 - 25
• Guardrians and Boreholes	Straight line	15
Furniture and fixtures		
• Chairs and Sofas	Straight line	5 - 20
• Bookshelves and Cabinet	Straight line	7 - 20
• Desks and Tables	Straight line	7 - 20
Motor vehicles		
• Motot Vehicles	Straight line	7 - 20
Office equipment		
• Printers	Straight line	3-9
• Cameras	Straight line	3-9
• Video Cameras	Straight line	3-9
IT equipment		
• Laptop	Straight line	3-8
• Desktop	Straight line	3-8
• Central Processing unit	Straight line	3-8
Infrastructure		
• Roads and Paving	Straight line	10-30
• Stormwater	Straight line	20-25
Community		
• Building (Halls ,change rooms ,Taxi rank building and toilets)	Straight line	30
• Grand stand and Paved Area	Straight line	20-30
• Sportfield ,combination court ,fences ,Water tanks	Straight line	10-18
Other		
• Tools and equipment	Straight line	3-9
• Plant and Equipment	Straight line	2-25
• Office Equipment	Straight line	3-9
Security Measures		
• Walls	Straight line	30
• Gates and Fencing	Straight line	10

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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Accounting Policies

1.3 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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Accounting Policies

1.4 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3-5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Financial instruments

Initial recognition and measurements

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instrument

The municipality classifies financial instruments,or their component parts ,on initial recognition as a financial assets,a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable ,which are measured at cost and are classified as available - for - sale financial assets.

For financial instruments which are not fair value through surplus or deficit ,transaction costs are included in the initial measurement of the instrument.

Receivables from exchange transaction.

Trade receivables are measured at initial recognition at fair value..

Trade and other receivables are classified as receivables.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad Debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

Trade payables are initially measured at fair value ,and are subsequently measured at amortised cost ,using the effective interest rate method liabilities are generally settled within the period of 30 days, accordingly, any impairment, if any ,are considered to be immaterial.

Cash and cash equivalent

Cash includes cash on hand and cash with banks. Cash equivalents are short - term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in Value.

1.6 Tax

Income tax expense

No provision has been made for Income tax as the municipality is exempt from taxation in terms of section 10 (1) (A) of the Income Tax Act.

VALUE ADDED TAX (VAT) :

The municipality accounts for VAT on the cash / payments basis.VAT output is paid over to SARS once the cash is received from the customer and VAT input is claimed when suppliers are paid.

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Accounting Policies

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases are those leases that are not finance leases. Operating lease rentals are expensed on the straight line basis.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

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1.8 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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1.9 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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1.9 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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1.10 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Contributions to Natal joint Fund (NJF) and are made as follows :

- Provident 1 - 21 Members - 5 % council 9 %
- Provident 2 - 7 Members - 7 % council 18.04 %
- Provident 3 - 4 Members - 9.25 % Council 13.65%
- Retirement 2 Members - 7 % Council - 13.65 %
- Superannuation 45 Members - 9.25 % Council - 25 %

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Accounting Policies

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
- An additional disclosure has been made for future commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

1.13 Revenue Recognition

Revenue is recognised at cost and no interest is recognised as a result of any time value of money adjustments.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.15 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification prior period comparative amounts are reclassified. The nature and the reason for the reclassification is disclosed.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.20 Presentation of budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The municipality has applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:

	Effective date: as amended in 2016	Expected impact:
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2016	Immediate
• GRAP 1: Presentation of financial statements	01 April 2016	Immediate
• GRAP 2: Cash Flow Ffatemets	01 April 2016	Immediate
• GRAP 20: Related parties	01 April 2016	Immediate
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2016	Immediate
• GRAP 3: Accounting Policies, Change in Estimate and Errors	01 April 2016	Immediate
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2016	Immediate
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2016	Immediate
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2016	Immediate
• GRAP 16 (as amended 2016): Investment Property	01 April 2016	Immediate
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2016	Immediate

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3. Investment property

	2017		2016			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5,251,600	-	5,251,600	5,251,600	-	5,251,600

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	5,251,600	5,251,600

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	5,251,600	5,251,600

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. Investment properties (Land) are held for capital appreciation.

Restriction on the ability to realise investment property or the remittance of revenue and proceeds of disposal. The correction of error for investment properties was due to the duplication of an asset reflecting in the asset register.

4. Property, plant and equipment

	2017		2016			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	12,799,352	(3,466,242)	9,333,110	12,228,780	(2,657,560)	9,571,220
Capital Work in Progress	12,874,378	-	12,874,378	16,846,416	-	16,846,416
Furniture and fixtures	7,877,254	(3,810,406)	4,066,848	7,382,697	(3,347,726)	4,034,971
Infrastructure	51,046,421	(12,114,505)	38,931,916	42,735,836	(9,368,245)	33,367,591
Community Assets	63,098,041	(14,826,347)	48,271,694	54,914,076	(11,974,265)	42,939,811
Total	147,695,446	(34,217,500)	113,477,946	134,107,805	(27,347,796)	106,760,009

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Write Off	Total
Buildings	9,571,220	-	-	570,572	(351,666)	(457,016)	-	9,333,110
Capital Work in Progress	16,846,416	14,335,949	(17,852,268)	-	(690,809)	-	(455,719)	12,874,378
Furniture and fixtures	4,034,971	994,928	(270,769)	-	(2,746,260)	(1,473)	-	4,066,848
Infrastructure	33,367,591	-	-	8,310,585	(2,798,308)	-	-	38,931,916
Community Assets	42,939,811	-	-	8,971,111	(53,774)	(787,146)	-	48,271,694
	106,760,009	15,330,877	(270,769)	-	(6,587,043)	(512,263)	(1,242,865)	113,477,946

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	9,938,615	-	-	-	(367,395)	-	9,571,220
Capital Work in Progress	22,189,875	17,065,287	-	(22,178,265)	-	(230,481)	16,846,416
Furniture and fixtures	3,241,895	1,706,578	(198,623)	-	(714,879)	-	4,034,971
Infrastructure	28,370,448	-	-	7,180,596	(2,183,453)	-	33,367,591
Community Assets	30,734,208	-	-	14,997,668	(2,303,170)	(488,895)	42,939,811
	94,475,041	18,771,865	(198,623)	-	(5,568,897)	(719,376)	106,760,009

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5. Intangible assets

	2017		2016	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation
Computer software	1,082,624	(278,722)	803,902	808,151
				(109,899) 698,252

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	698,252	274,472	(168,822)	803,902

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	48,088	687,932	(37,768)	698,252

6. Operating lease asset and liabilities

Current assets				
Current liabilities				88,400 72,875
				(4,153)
				88,400 68,722

7. Receivables from exchange transactions

Payment In Advance				
Other debtors				964,896
				240,346
				1,205,242 190,116

8. VAT receivable

VAT				
				- 88,671

9. Consumer debtors

Gross balances				
Rates				19,615,083 14,323,363
Refuse				175,306 -
				19,790,389 14,323,363

Less: Allowance for impairment

Rates				
Refuse				(8,369,159) (6,264,270)
				(63,872) -

(8,433,031) (6,264,270)

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	2017	2016
9. Consumer debtors (continued)		
Net balance		
Rates		
Refuse	11,245,924	8,059,093
	111,434	-
	11,357,358	8,059,093
Rates		
Current (0 -30 days)		
30 days	2,352,309	2,183,147
60 days	658,097	682,593
90 days	580,561	542,939
120 days	530,915	537,921
150 days	489,150	519,751
180 days	478,635	471,285
Debtors Discounting	14,525,416	10,630,815
Provision for bad debt	(4,150,251)	(3,281,274)
Land claims error(Debtors Restated)	(4,218,908)	(3,335,554)
Land Claims error(Provision & Debtors Discounting)	-	(1,245,089)
	352,559	-
	11,245,924	8,059,093
Refuse		
Current (0 -30 days)		
31 - 60 days	37,264	-
61 - 90 days	23,684	-
91 - 120 days	16,374	-
121 - 365 days	13,691	-
> 180 days	24,154	-
Debtors Discounting	60,139	-
Provision for bad debts	(31,674)	-
	(32,198)	-
	111,434	-
Reconciliation of allowance for impairment		
Balance at beginning of the year	(6,264,270)	(4,537,696)
Contributions to allowance	(2,168,761)	(1,726,574)
	(8,433,031)	(6,264,270)
Councillors in Arrears		
No councillors were in arrears ith the municipality in 2016/2017	Nil	Nil
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand /Float	521	521
Standard Bank -Account number - 052149978 - Current account	2,261,809	1,042,318
Standard Bank -Account number - 354264338 - Market Link	50,553,493	36,217,540
	52,815,823	37,260,379
Bank statement balances		
Standard Bank Account number 052 1499 78 - Current account	-	-
Standard Bank Account number 354 264 338 - Market link	2,373,937	1,042,318
	50,553,493	36,217,540

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11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MIG	1,440,197	-
Municipal assistance programme	47,028	47,028
Community development workers grant	11,225	11,225
Financial management grant	-	1,051
Housing grant	444,068	1,037,274
Lums grant	46,537	46,537
Electrification Grant	2,398,234	1,538,667
EPWP grant	7,980	45,961
Library grant	1,040,126	442,855
	5,435,395	3,170,598

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11. Unspent conditional grants and receipts (continued)

Movement during the year

Municipal systems improvement grant

Current year receipts	-	930,000
Conditions met - transfer to revenue	-	(930,000)
Conditions still to be met - transfer to liabilities	-	-

MAP grant

Opening balance	47,028	47,028
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	47,028	47,028

Community development workers

Opening balance	11,225	11,225
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	11,225	11,225

Financial management grant

Opening balance	1,051	271,157
Current year receipts	1,825,000	1,800,000
Conditions met - transfer to revenue	(1,826,051)	(2,070,106)
Conditions still to be met - transfer to liabilities	-	1,051

Housing grant

Opening balance	1,037,274	444,068
Current year receipts	(593,206)	593,206
Conditions still to be met - transfer to liabilities	444,068	1,037,274

Lums grant

Opening balance	46,537	46,537
Current year receipts	-	-
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	46,537	46,537

Municipal infrastructure grant

Current year receipts	13,926,000	16,851,000
Conditions met - transfer to revenue	(12,485,803)	(16,851,000)
Conditions still to be met - transfer to liabilities	1,440,197	-

Soul buddies

Opening balance	-	2,375
Current year receipts	-	-
Conditions met - transfer to revenue	-	(2,375)
Conditions still to be met - transfer to liabilities	-	-

Electrification

Opening balance	1,538,667	3,232,856
Current year receipts	10,000,000	2,000,000
Conditions met - transfer to revenue	(9,140,433)	(3,694,189)
Conditions still to be met - transfer to liabilities	2,398,234	1,538,667

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11. Unspent conditional grants and receipts (continued)

Expanded Public Works Programme Grant

Opening balance	45,961	-
Current year receipts	1,253,000	1,058,000
Conditions met - transfer to revenue	(1,290,981)	(1,012,039)
Conditions still to be met - transfer to liabilities	7,980	45,961

Library Grant

Opening balance	442,855	-
Current year receipts	1,265,000	1,244,000
Conditions met - transfer to revenue	(667,729)	(801,145)
Contributions still to be met - transfer to liabilities	1,040,126	442,855

LGSETA

Opening balance	-	43,131
Conditions met - transfer to revenue	-	(43,131)
	-	-

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited;

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liabilities.

These amounts are invested in a separate bank account and are supported by cash in the bank.

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12. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Medical Aid Benefits and Long Service Awards (Long Term)	2,816,008	302,340	3,118,348
Provision for leave	1,861,846	80,740	1,942,586
Medical aid benefits and long service (Short term)	66,485	121,152	187,637
	4,744,339	504,232	5,248,571

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Medical Aid Benefits and Long Service Awards (Long Term)	2,200,000	616,008	2,816,008
Provision for leave	1,621,566	240,280	1,861,846
Medical aid benefit and Long service (Short term)	61,000	5,485	66,485
	3,882,566	861,773	4,744,339

The leave provision represents managements best estimate of the municipality's liability under one period based on prior experience.

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12. Provisions (continued)

Post retirement medical benefits

POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees.

Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The main assumptions used by the actuary are:

	2017 (R millions)	2016 (R millions)
Discount rate per annum		
Health care cost inflation rate	10.11%	9.88%
Net discount rate	8.37%	8.85%
Maximum subsidy inflation rate	1.61%	0.95%
Net discount rate	5.90%	0.95%
Retirement age	3.98%	
Males		
Females	65	65
Mortality during employment	65	65
Mortality post retirement		
Number of in-service non-member	SA 85-90 Ultimate Mortality Table	
Number of in-service members	PA90-1 Ultimate Mortality Table	
Number of pensioners	0	0
No. of Active employees	47	51
Accrued liability at 30 June	0	0
Future - service cost	0	0
Interest cost	59,550	159,483
Expected benefits payments/ Change in assumption	179,350	129,000
Actuarial loss/(gain)	167,646	124,000
Total annual expense	0	0
Projected accrued liability at 30 June ensuing year	406,546	253,000
Accrued liability at 30 June	2,521,590	1,950,483
Short term portion of accrued liability	2,104,029	1,697,483
Long term portion of accrued liability	2,104,029	1,697,493
The effect on the liability of a 1% change in the assumed rate of medical inflation:		
Central assumptions	Liability (R millions)	Liability (R millions)
1% increase in assumed medical inflation	2,104	1,697
1% decrease in assumed medical inflation	2,300	1,793
	1,835	1,561

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12. Provisions (continued)

Long Service Awards and Retirement Gifts

LONG SERVICE AWARDS AND RETIREMENT GIFTS

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service.

The main assumptions used by the actuary are:

	2017 (R millions)	2016 (R millions)
Discount rate per annum	8,64%	8,74%
General salary inflation rate (long term)	6,46%	7,38%
Net effective discount rate	2,05%	1,27%
Retirement age		
Males	65	65
Females	65	65
Mortality during employment : SA 85-90 Ultimate Table adjusted for Female lives	72	79
Number of Active employees		
Accrued liability at 30 June	1,201,956	1,185,010
Future - service cost	150,058	118,000
Interest cost	100,747	93,000
Expected benefits payments	-64,161	-61,000
Actuarial loss/(gain)	-191,626	59,010
Accrued expense	21,928	
Total annual expense	16,946	209,010
Projected accrued liability at 30 June ensuing year	1,236,604	1,185,010
Accrued liability at 30 June	1,201,956	1,185,010
Short term portion of accrued liability	-187,637	-66,485
Long term portion of accrued liability	1,014,319	1,118,525
The effect on the liability of a 1% change in the assumed rate of salary inflation:		
Central assumptions	Liability (R millions)	Liability (R millions)
1% increase in assumed salary inflation	1,180	1,185
1% decrease in assumed salary inflation	1,275	1,290
	1,095	1,092

13. Payables from exchange transactions

Trade payables	3,360,373	1,899,962
Other creditors	591,613	515,515
Retention	2,992,834	3,794,003
	6,944,820	6,209,480

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	2017	2016
14. Revenue		
Service charges	466,332	-
Commissions received	15,565	12,714
Other income	609,855	591,207
Interest received - investment	5,690,548	3,948,435
Property rates	11,961,448	11,281,258
Government grants & subsidies	66,502,689	72,777,380
Fines, Penalties and Forfeits	37,520	92,650
Licenses and permits	4,694,374	3,860,691
	89,978,331	92,564,335

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	466,332	-
Commissions received	15,565	12,714
Other income	609,855	591,207
Interest received - investment	5,690,548	3,948,435
	6,782,300	4,552,356

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	11,961,448	11,281,258
Transfer revenue		
Government grants & subsidies	66,502,689	72,777,380
Fines, Penalties and Forfeits	37,520	92,650
Licenses and Permits	4,694,374	3,860,691
	83,196,031	88,011,979

15. Other income

Operating lease income	69,051	77,058
Library Income	23,372	20,007
Clearance Certificates	10,247	16,289
Tender Fees	48,202	80,795
Building Plan (Plan Fees)	194,200	247,663
UMDM and DSD Receipts	258,409	139,768
Planning Application Fee	6,374	9,627
	609,855	591,207

16. Interest received

Interest revenue		
Interest earned from investments	3,004,349	1,875,411
Interest charged on trade and other receivables	2,686,199	2,073,024
	5,690,548	3,948,435

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17. Property rates

Rates received

Residential	3,007,105	2,695,919
Commercial	600,471	755,369
State and Education	1,116,346	689,479
Agriculture	3,000,808	2,938,573
Public service infrastructure	156,495	375,617
Sectional Title	809,509	763,871
Other Properties	1,620,842	2,053,469
Industrial	3,111,929	2,936,256
Land Claims Error	-	(545,250)
Less: Income forgone	(1,462,057)	(1,382,045)
	11,961,448	11,281,258

Valuations

Residential	277,921,000	277,921,000
Commercial	67,242,000	67,242,000
State and education	75,023,270	79,743,520
Agriculture	1,538,876,000	1,534,981,000
Public sevice infrastructure	80,254,000	80,254,000
Sectional Title	74,816,000	74,816,000
Other Properties	273,158,990	268,438,740
Industrial	418,270,000	418,270,000
	2,805,561,260	2,801,666,260

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

18. Government grants and subsidies

Operating grants

Equitable share	50,183,000	51,341,000
Library - Grant Income	667,729	801,145
Financial Management Grant	1,826,051	1,799,065
Municipal Infrastructure Grant - Income	12,485,803	16,851,000
Municipal System Improvement Grant	-	930,000
LGSETA	49,125	43,131
EPWP Grant	1,290,981	1,012,039
	66,502,689	72,777,380

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	2017	2016	
19. Employee related costs			
Basic	15,351,139	13,783,855	
Bonus	1,303,929	887,591	
Medical aid	1,186,140	1,097,113	
UIF	140,963	118,764	
SDL	204,502	184,800	
Leave pay provision charge	872,206	722,475	
Phone Allowance	Defined contribution plans	46,220	44,304
Travel, motor car, accommodation, subsistence and other allowances	2,758,486	2,357,828	
Overtime payments	214,000	237,456	
Acting allowances	1,183,480	1,174,534	
Housing benefits and allowances	46,085	42,291	
Bargaining Council Contributions	199,906	148,805	
Stipend - Ward Committee	8,216	6,954	
	480,000	788,000	
	23,995,272	21,594,770	

Remuneration of Municipal Manager

Annual Remuneration	1,081,185	635,482
Travel Allowance	72,000	51,456
Other Allowances	-	1,487
Back Pay	9,831	-
Cellphone Allowance	16,500	12,864
	1,179,516	701,289

The Municipal Manager was appointed with effect from 15 October 2015

Remuneration of Chief Finance Officer

Annual Remuneration	843,945	720,755
Travel Allowance	72,000	72,000
Other Allowances	386	386
Back Pay	8,176	12,978
Cellphone Allowance	9,600	9,600
	934,107	815,719

Remuneration of Manager of Community Services

Annual Remuneration	675,414	697,955
Travel Allowance	70,000	84,000
Back Pay	8,176	12,978
Leave Pay	129,651	-
Other allowances	9,321	11,186
Cellphone Allowance	8,000	9,600
	900,562	815,719

The Manager Community Services resigned in April 2017.

Remuneration of Manager Technical Services

The Manager Technical Services position has been vacant since February 2015.

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19. Employee related costs (continued)

Remuneration of Manager of Corporate Services

Annual Remuneration	-	281,055
Car Allowance	-	25,000
Performance Bonuses	-	4,661
Contributions to UIF, Medical and Pension Funds	-	12,978
Other	-	117,928
Other	-	4,000
	-	445,622

The Corporate Services Manager position has been vacant since 21 November 2015.

20. Remuneration of councillors

Mayor	798,762	741,004
Deputy Mayor	561,156	592,280
Exco Members	311,529	318,634
Speaker	526,536	592,280
Councillors	2,599,948	2,375,513
	4,797,931	4,619,711

21. Administrative expenditure

Contributions to Medical Aid and long service awards	423,492	621,493
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22. Debt impairment

Debt impairment	2,168,761	1,374,015
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23. General expenses

Materials	22,820	28,855
Advertising	211,105	147,775
Auditors remuneration	1,089,236	1,187,514
Pound Security	30,000	60,000
Face Value - Licence Card Renewals	429,050	314,244
Legal Expenses	557,828	463,445
Consumables	401,024	269,717
Valuation Fees	229,146	289,035
Landfill Site Fees	247,402	177,317
Loss on sale of an asset	967,915	161,632
Rentals	481,635	373,615
Insurance	134,598	802,035
Community development and training	2,745,907	4,709,959
Conferences and seminars	535,522	254,123
Interest Paid	143,489	208,555
IT expenses	440,334	366,493
Levies - Kwa Nologa	500,000	500,000
Magazines and Periodicals	96,325	40,877
Licence Renewal	16,268	17,868
Disaster Management	249,531	348,039
Fuel and oil	418,921	377,195
Postage and courier	26,491	30,837
Printing and stationery	407,053	622,679
Art & Culture	333,171	364,915
Protective clothing	146,731	134,481
Security Charges - Banking	287,950	88,149
Telephone and fax	456,730	541,197
District Shared Services Contribution	133,718	192,065
Training and Development	554,057	515,437
Subsistence and Travelling	112,051	89,506
Electricity	809,655	650,519
Tracker Subscription	30,352	25,797
Building Control	62,204	73,941
Sport and Recreation	990,277	1,179,774
Civic and Hospitality	177,652	165,300
Consultants Fees	3,168,493	2,401,461
Other expenses	586,970	1,301,061
	18,231,611	19,475,412

24. Auditors' remuneration

External Audit Fees	1,089,236	1,187,514
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25. Operating lease commitments (lessee)

Operating Lease payment rentals payable by the municipality for certain office photocopying machines. Leases are negotiable between three to five years. Lease rentals escalates between 0 to 10 % per annum over the period of lease.

Operating Lease - as lessee (Expense)

Minimum Lease Payment Due	2017	2016
Within 1 year	149,049	108,427
Between two to five years	102,085	153,604
	251,134	262,031

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26. Operating lease commitments (lessor)

Present value of minimum lease payment due

Within 1 year	68,572	68,572
Between two to five years	274,289	274,289
Greater than five years	-	68,572
	342,861	411,433

27. Cash generated from operations

Surplus	26,753,724	34,167,898
Adjustments for:		
Depreciation and amortisation	6,755,751	5,600,187
Loss on sale of assets	967,914	161,632
Impairment deficit	512,262	719,376
Debt impairment	2,168,761	1,374,015
Movements in operating lease assets and accruals	(19,678)	(21,027)
Movements in provisions	504,232	861,773
Changes in working capital:		
Inventories	-	-
Receivables from exchange transactions	(1,015,126)	685,648
Consumer debtors	(5,467,026)	(2,088,087)
Payables from exchange transactions	(1,458,649)	(4,729,813)
VAT Payable	3,634,664	4,268,061
VAT Receivable	88,761	1,954,580
Unspent conditional grants and receipts	(2,264,797)	(884,648)
	31,160,793	42,069,595

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	2017	2016
28. Capital Commitments		
Committed in respect of Capital Expenditure		
Approved and contracted for		
• Road Infrastructure	3,609,233	441,091
• Community Infrastructure	1,705,395	2,516,270
	5,314,628	2,957,361
Approved and not yet contracted for		
• Community Infrastructure	17,884,349	10,901,826
• Road Infrastructure	3,200,000	4,724,174
	21,084,349	15,626,000
Total capital commitments		
Approved and Contracted For	5,314,628	2,957,361
Not yet Contracted for and Approved by Accounting Officer	21,084,349	15,626,000
	26,398,977	18,583,361
Commitments in respect of operating expenditure		
Approved and Contracted for		
• Contracted Services	786,233	1,352,748
• Electrification	1,433,338	1,538,667
	2,219,571	2,891,415
Total operational commitments		
Already contracted for but not provided for	2,219,571	2,891,415
Operating lease commitment (lessor)		
Minimum lease payments due		
- within one year	68,572	68,572
- in second to fifth year inclusive	274,289	274,289
- later than five years	-	68,572
	342,861	411,433

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29. Contingent Liability

1. Due to the fact that not all the post on the municipality's organogram were evaluated, it is impractical for the municipality to measure the cost of the liability reliably.

Litigation Cases:

2. Director General: Department of Labour - This matter concerns claims against the municipality for allegedly breaching certain conditions of the Employment Equity Act. The expected costs are R1 600 000.
3. Durban Sky Dive Centre cc and another - This matter is a town planning contravention for illegal use. The expected cost is R109 364.
4. Excellence at work consultants cc - Termination of a feasibility study for a cemetery site. The expected costs are R23 912.
5. SANRAL - To negotiate the purchase of land from SANRAL for municipal use. The matter is being held in abeyance.
6. AM Shezi - Rescission of a default judgement. The matter is pending. The expected cost is unknown at this point.
7. Land invasion (Amasisweni Maqamu Trust) - Illegal buildings are being erected on trust land with no permission. The matter is pending. The expected cost is unknown at this point.
8. Wartnaby and others - To address the complaints received in regards to the illegal occupation of Hope Farm. The matter is pending. The expected cost is unknown at this point.
9. Amber Productions cc - Clearing of vacant land. The matter is pending. The expected cost is unknown at this point.
10. Global Pact - The dispute between the contractor and consultant implementing a project for the municipality. The estimated cost is R2 000 000.
11. Manderstone PDA appeal - The appellants advised that it was their intention to bring a high court review applications against the municipality to prove the rezoning. The high court application notice has been received and the council will then decide whether or not to oppose the application or set aside the matter. The costs are unknown at this point.
12. HFR Properties (Pty) Ltd - Portion 17 of the farm Honing Krantz no 945 - HFR properties has erected building without approved plans and is using the property in conflict with town planning scheme provision. The attorneys have been instructed to obtain the court order for the illegal use of the property. The expected cost is unknown at this point.
13. Spar Development - Actions was taken against the developers of Spar to enforce compliance with various transgressions of the town planning scheme. The developer appealed to the municipality to allow it time to regulate the transgression. Discussions are to be held with Spar. The expected costs are unknown at this point.
14. ERF 149 Camperdown Madrasah - A successful order was obtained to prevent unlawful occupation of a building erected without necessary building plans. A bill of cost was taxed but the municipality decided to pursue the matter out of the court and implement the court order to demolish the building.

30. Related parties

During the year the municipality traded with an employee, Mr. M.S. Shange who provided his firearm for official duties amounting to R9 000 (2016: 36 000)

31. Prior period errors

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31. Prior period errors (continued)

Statement of financial position	As previously reported	Correction of errors	Total Restated
Payables from exchange transactions	(6,736,277)	526,797	(6,209,480)
Property, plant and equipment (PPE)	106,313,919	446,090	106,760,009
Consumer Debtors	8,951,467	(892,530)	8,058,937
Receivables from exchange transaction	180,715	9,401	190,116
Other Creditors	333,865	106,966	440,831
VAT Payable	-	4,268,061	4,268,061
VAT Receivables	355,277	(266,606)	88,671
Accumulated Surplus	143,932,503	(3,948,139)	139,984,364
	253,331,469	250,040	253,581,509

- **Property plant and equipment** - This is as a result of expenditure not capitalised, depreciation and loss on sale of assets.
- **Receivables from exchange transactions** - This is a result of other debtors recognised in the comparative year. **Accumulated surplus** - This is a result mainly for the movement in the property, plant and equipment and payables. **Payables from exchange transaction** - This is a result of an error in payables raised in previous financial years. **VAT Receivables** - This due to the reversal of revenue recognised for electrification grant as per the new treatment recommended by National Treasury where the municipality acts as Agent on electrification projects.

Statement of Financial Performance

	As previously reported	Correction of errors	Total Restated
Depreciation	(5,587,825)	(11,502)	(5,600,187)
Electrification - Revenue	(2,194,189)	2,194,189	-
General Expense	19,619,161	(143,749)	19,475,412
Property Rates	11,826,508	(545,250)	11,281,258
Debt Impairment	(1,726,574)	352,559	(1,374,015)
Interest Received	4,117,139	(168,704)	3,948,435
Electrification - Expenditure	1,927,583	(1,927,583)	-

32. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The amount reflected within trade and other payables from exchange transactions are R 6944 820.00 (2016 : R6,209,480)

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32. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Cash and Cash Equivalent	52,815,823	37,260,379
Consumer Debtors	11,357,358	8,059,093

33. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

34. Events after the reporting date

In terms of the Re-determination of Boundaries in terms of section 21 of the Local Government - Municipal Demarcation Act, 1998 (Act No.27 of 1998), municipal boundaries have been re-determined for Mkhambathini Municipality. Upon there being a transfer, the following documents must be in place: The Establishment Notice that is Section 12 Notice, The Transitional Notice setting out what the transfer will entail in terms of pertinent issues that is staff, assets, etc. and an Administrator/Transitional Manager appointed to address all issues pertaining to the transfer. These documents/parties will then indicate the main features underlying the transfer such as borders changing, dissolution/incorporation of the municipality, staff and assets transferred. These documents will then constitute a binding agreement. Section 12 Notices have been issued by KZN CoGTA regarding the municipal demarcations in 2016 (Provincial Notice 142 and 143 of 2016). However, Transitional Notices/Circulars have not yet been issued by KZN CoGTA. No binding agreements have been signed between Mkhambathini Local Municipality and the other affected municipalities. However, preliminary engagements have commenced between Mkhambathini Local Municipality and eThekweni Metropolitan Municipality regarding the transfer of assets.

* Local Government elections took place on 3 August 2016. A new council was elected and inaugurated on 17 August 2016.

35. Fruitless and wasteful expenditure

Opening balance	3,158,129	2,966,935
Add: Fruitless and wasteful expenditure - current year	965,475	191,194
Discovered during the Audit	84,711	-
Less: Amount Condoned	-	-
Closing Balance	4,208,315	3,158,129

Interest of R953 950 was paid to SARS arising from the Voluntary Disclosure Relief Programme (VDP) that is administered by SARS. Interest amounting to R2 525 consist of interest on overdue accounts from Telkom and Eskom. Salary paid to the municipality manager's personal assistant (Relief) amounting to R84 711

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36. Irregular expenditure

Opening balance	3,246,466	3,123,610
Add: Irregular Expenditure - current year	966,000	-
Less: Amounts condoned	-	-
Discovered during the audit	953,689	122,856
Less: Amounts not recoverable (not condoned)	-	-
Amounts not condoned	5,166,155	3,246,466

Irregular expenditure consist of the following:

R966 900.00 relates to contracts awarded to Taxi operators whom were not registered on Central Supplier Database in the current financial year 2016/2017 which is in contravention with MFMA Circular 81 Web Based Central Supplier Database, a contract expansion above 15% for Aarot Solutions which is also in contravention with Municipal Supply Chain Management Circular 62 amounting to R702 240.00 and an award made to first technology amounting R251 448.66 without following tender processes as stated by the SCM regulation..

37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	500,000	500,000
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Audit fees

Amount paid - current year	1,089,236	1,187,514
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PAYE and UIF

Current year subscription / fee	4,422,602	4,376,537
Amount paid - current year	(4,422,602)	(4,376,537)

Pension and Medical Aid Deductions

Current year subscription / fee	5,564,060	5,200,057
Amount paid - current year	(5,564,060)	(5,200,057)

VAT Receivable

VAT receivable	-	88,671
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All VAT returns have been submitted by the due date throughout the year.

38. VAT Payable

Tax Payable	633,397	4,268,061
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38. VAT Payable (continued)

VAT output payables and VAT input receivables are shown in the notes 8 & 38. The municipality applied for relief afforded by the Voluntary Disclosure Relief Programme (VDP) that is administered by SARS in terms of the Tax Administration Act (no. 28 of 2011). The VDP application was due to the understatement of VAT and the period covered included June 2011 to June 2015. The impact for the municipality in the 2016/17 financial year included an amount of R4 268 061 that was paid to SARS on 30 September 2016. R633 397.00 relates to VAT claimed on electrification projects and will be paid back to SARS by municipality through VDP in the new financial year. The municipality was not suppose to claim any VAT on electrification projects because they are acting as agents.

39. Repairs and maintenance

Building maintenance	359,204	49,376
Equipment	25,768	3,000
Motor vehicles	247,451	251,243
Road maintenance	1,727,981	453,540
Other	625,549	103,059
	2,985,953	860,218

40. Capital Work in Progress

Community Assets	9,860,530	13,240,635
Infrastructure Assets	3,013,972	3,540,272
	12,874,502	16,780,907

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2016/2016		2017/2016		2016/2015						
	Original Budget Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget Rand	Virement funds (i.t.o. s31 or the MFMA)	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Actual Outcome against Budget Rand	Variance of Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure terms of section 32 of MFMA Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Reslated Audited Outcome Rand
Revenue By Source											
Property rates	12,662,927	-	12,662,927	-	12,662,927	11,961,447	-	(701,480)	94 %	94 %	11,281,258
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Service charges - water revenue	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Service charges - sanitation revenue	500,000	-	500,000	-	500,000	466,332	-	(33,668)	93 %	93 %	-
Service charges - refuse revenue	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Rental of facilities and equipment	1,660,000	817,255	2,487,255	-	2,467,255	3,004,349	-	537,094	122 %	182 %	1,875,411
Interest earned - external investments	1,176,039	-	1,176,039	-	1,176,039	2,686,198	-	1,510,160	228 %	228 %	2,073,024
Dividends received	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Fines	70,051	-	70,051	-	70,051	37,520	-	(32,531)	54 %	54 %	92,650
Licences and permits	3,922,356	488,227	4,391,183	-	4,391,183	4,684,374	-	303,191	107 %	120 %	3,860,691
Agency services	64,526,000	1,585,679	66,110,679	-	66,110,679	64,122,215	-	(1,988,464)	97 %	99 %	58,120,568
Other revenue	803,393	-	863,393	-	803,393	825,420	-	(177,973)	78 %	78 %	603,921
Gains on disposal of PPE	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Total Revenue (excluding capital transfers and contributions)	85,310,366	2,871,161	88,181,527	-	88,181,527	87,557,955	-	(683,571)	99 %	103 %	77,907,523

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

		2016/2015			2017/2016						
Original Budget	Budget Adjustments (I.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (I.t.o. s31 of the MFMA)	I.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type											
Employee related costs	27,055,615	-	27,055,615	-	27,055,615	23,985,270	-	(3,060,345)	89 %	89 %	21,594,770
Remuneration of councillors	5,088,000	-	5,088,000	-	5,088,000	4,797,931	-	(290,069)	94 %	94 %	4,618,715
Debt impairment	700,000	-	700,000	-	700,000	2,168,761	-	1,468,761	310 %	310 %	1,374,015
Depreciation & asset impairment	4,800,000	1,200,000	6,000,000	-	6,000,000	7,288,013	-	1,268,013	121 %	151 %	6,319,562
Finance charges	184,286	-	184,286	-	184,286	-	-	(184,286)	-	-	-
Repairs and Maintenance	6,350,000	-	6,350,000	-	6,350,000	2,985,853	-	(3,364,047)	47 %	47 %	860,218
Transfers recognised operational	14,342,000	-	14,342,000	-	14,342,000	12,217,898	-	(2,124,102)	85 %	85 %	5,458,838
Other expenditure	22,967,862	1,585,679	24,253,331	-	24,253,331	18,058,498	-	(6,184,233)	74 %	80 %	19,475,412
Contribution to Medical Aid and Long Service Awards	318,000	-	318,000	-	318,000	423,492	-	105,492	133 %	133 %	621,493
Total Expenditure	81,505,663	2,785,678	84,291,232	-	84,291,232	71,925,726	-	(12,365,506)	86 %	88 %	60,324,019
Surplus/(Deficit)	3,504,613	86,482	3,890,295	-	-	3,890,295	16,672,130	-	11,781,835	403 %	412 %
Transfers recognised - capital	15,828,000	(1,700,000)	13,926,000	-	-	13,926,000	12,495,803	-	(1,440,197)	90 %	80 %
Contributed assets	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	DIV/0 %
Surplus/(Deficit) after capital transfers & contributions	19,430,813	(1,614,518)	17,816,285	-	-	17,816,285	28,167,933	-	10,341,638	158 %	145 %
Taxation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Surplus/(Deficit) after taxation	19,430,813	(1,614,518)	17,816,285	-	-	17,816,285	28,167,933	-	10,341,638	158 %	145 %
Attributable to minorities	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Surplus/(Deficit) attributable to municipality	19,430,813	(1,614,518)	17,816,285	-	-	17,816,285	28,167,933	-	10,341,638	158 %	145 %
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Surplus/(Deficit) for the year	19,430,813	(1,614,518)	17,816,285	-	-	17,816,285	28,167,933	-	10,341,638	158 %	145 %
											34,434,504
											34,434,504